

**Mason Township
Arenac County, Michigan**

**Financial Report
With Supplemental Information**

June 30, 2008

Mason Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Mason Township
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mason Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mason Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mason Township as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.
November 30, 2008

Management's Discussion and Analysis

As management of Mason Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended June 30, 2008.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$311,478 (*net assets*). Of this amount, \$215,030 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- The Township's total net assets increased by \$21,668.
- As of the close of the current fiscal year, the Township's general fund, the only governmental fund, reported an ending fund balance of \$215,030, an increase of \$17,446 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$215,030. The Township Board has designated \$82,662 for Township hall and \$32,998 for road improvements. The unreserved fund balance of \$215,030 is 230% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township consist of general government, public safety, public works and recreation. The Township does not have any business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township consist of one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for the General Fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$311,478 at the close of the most recent fiscal year.

A portion of the Township's net assets (\$96,448, or 31%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental Activities 6/30/08	Governmental Activities 6/30/07
Cash and Cash equivalents	\$ 215,942	\$ 189,478
Receivables	11,453	11,588
Capital Assets, Net	96,448	92,226
Total Assets	\$ 323,843	\$ 293,292
Current Liabilities	\$ 12,365	\$ 3,482
Total Liabilities	\$ 12,365	\$ 3,482
Net Assets:		
Invested in Capital Assets	96,448	92,226
Unrestricted	215,030	197,584
Total Net Assets	\$ 311,478	\$ 289,810

The Township's net assets increased by \$21,668 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$17,446 or 9%, during fiscal year ended June 30, 2008.

Township's Changes in Net Assets

	Governmental Activities 6/30/08	Governmental Activities 6/30/07
Revenue:		
Program Revenue:		
Charges for Services	\$ 0	\$ 500
Operating Grants	7,627	8,284
General Revenue:		
Property Taxes	23,610	23,067
State Shared Revenues	60,451	60,836
Interest Earnings	5,990	5,577
Other	13,411	2,856
Total Revenue	\$ 111,089	\$ 101,120
Expenses:		
General Government	\$ 63,675	\$ 61,222
Public Safety	17,500	26,250
Public Works	7,460	7,460
Recreation and Culture	786	661
Total Expenses	\$ 89,421	\$ 95,593
Increase in Net Assets	21,668	5,527
Net Assets, Beginning of Year	289,810	284,283
Net Assets, End of Year	\$ 311,478	\$ 289,810

Governmental activities. The Township's governmental revenues increased by \$9,969 during the year. Other income included scrap sales of \$7,534 from the cleanup of property purchased by the Township during the year. Expenses decreased by \$6,172 compared to the previous year. The increase was primarily due to a decrease in the Township's payment for fire protection services.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental fund reported an ending fund balance of \$215,030, an increase of \$17,446 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount. The Township Board has designated \$82,662 for Township Hall and \$32,998 for road improvements.

The only governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent 230% of total general fund expenditures.

Fund balance in the General Fund increased by \$17,446 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. There were no amendments to the budget during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2008, was \$96,448 (net of accumulated depreciation). Investment in capital assets includes land, buildings, vehicles and equipment. Additions during the year totaled \$10,349, including property purchased for \$5,229, land improvements of \$2,495 and equipment additions of \$2,625.

Township's Capital Assets (net of depreciation)

	Governmental Activities 6/30/08	Governmental Activities 6/30/07
Land	\$ 5,629	\$ 400
Infrastructure	57,169	60,518
Land improvements	4,300	2,085
Buildings	19,143	17,047
Furniture and equipment	10,207	12,176
Total	\$ 96,448	\$ 92,226

Additional information on the Township's capital assets can be found in note 5 on pages 20 and 21 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the year ending June 30, 2009:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. The Township received \$62,958 in state shared revenues and Metro Act money during the year ended June 30, 2008. This revenue represents 57% of the revenues of the Township. The amounts of state shared revenues for future periods are uncertain and will have a significant impact on the Township's budget. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mason Township
Supervisor's Office
1225 Maple Ridge Road
Twining, MI 48766

Mason Township
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 215,942
Accounts receivable	1,018
Due from other governments	10,435
Capital assets-net	<u>96,448</u>
Total assets	<u>323,843</u>
 Liabilities	
Accounts payable	11,587
Accrued and other liabilities	<u>778</u>
Total liabilities	<u>12,365</u>
 Net Assets	
Invested in capital assets, net of related debt	96,448
Unrestricted	<u>215,030</u>
Total net assets	\$ <u><u>311,478</u></u>

See accompanying notes to financial statements.

Mason Township
Statement of Activities
Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Capital	Activities
		Services	Operating	Net (Expense)
			Grants	Revenue and
				Changes in
				Net Assets
Governmental Activities				
General government	\$ 63,675	\$ -	\$ 5,120	\$ (58,555)
Public safety	17,500	-	-	(17,500)
Public works	7,460	-	2,507	(4,953)
Recreation and culture	<u>786</u>	<u>-</u>	<u>-</u>	<u>(786)</u>
Total governmental activities	<u>\$ 89,421</u>	<u>\$ 0</u>	<u>\$ 7,627</u>	<u>\$ (81,794)</u>
General Revenues:				
Property taxes				23,610
State revenues				60,451
Interest and investment earnings				5,990
Other				<u>13,411</u>
Total general revenues				<u>103,462</u>
Change in Net Assets				21,668
Net assets - beginning of year				<u>289,810</u>
Net assets - end of year				<u>\$ 311,478</u>

See accompanying notes to financial statements.

Mason Township
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund
Assets	
Cash and investments (Note 3)	\$ 215,942
Due from other funds	1,018
Due from other governments	<u>10,435</u>
Total assets	<u><u>\$ 227,395</u></u>
 Liabilities	
Accounts payable	\$ 11,587
Accrued and other liabilities	<u>778</u>
Total liabilities	<u><u>12,365</u></u>
 Fund balances	
Unreserved:	
Designated (Note 13)	115,660
Undesignated	<u>99,370</u>
Total fund balances	<u><u>215,030</u></u>
 Total liabilities and fund balances	<u><u>\$ 227,395</u></u>
 Fund Balances - Total Governmental Funds	 \$ 215,030
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial, and are not reported in the funds.	
The cost of capital assets is	\$ 140,144
Accumulated depreciation is	<u>(43,696)</u>
	96,448
 Net Assets of Governmental Activities	 <u><u>\$ 311,478</u></u>

See accompanying notes to financial statements.

Mason Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2008

	<u>General Fund</u>
Revenues	
Taxes and fees	\$ 23,610
State revenues	68,078
Charges for services	-
Interest and rentals	5,990
Other	13,411
Total revenues	<u>111,089</u>
Expenditures	
Current:	
General government	61,558
Public safety	17,500
Public works	4,111
Recreation and culture	125
Capital outlay	10,349
Total expenditures	<u>93,643</u>
Net changes in fund balances	17,446
Fund balances - Beginning of year	<u>197,584</u>
Fund balances - End of year	<u><u>\$ 215,030</u></u>

See accompanying notes to financial statements.

Mason Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	17,446
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

	\$	(6,127)	
Depreciation expense			
Capital Outlay		10,349	
			4,222

Change in Net Assets of Governmental Activities	\$	21,668
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See accompanying notes to financial statements.

Mason Township
Fiduciary Funds
Statement of Net Assets
June 30, 2008

	Pension Trust Fund	Agency Fund
Assets		
Cash	\$ -	\$ 1,018
Investments - as fair value	<u>31,603</u>	<u>-</u>
Total assets	31,603	<u><u>\$ 1,018</u></u>
 Liabilities		
Accounts payable	-	\$ -
Due to other funds	<u>-</u>	<u>1,018</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,018</u></u>
 Net Assets - Held in Trust for Pension Benefits	<u><u>\$ 31,603</u></u>	

See accompanying notes to financial statements.

Mason Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2008

	Trust Fund- Pension Fund
Additions	
Contributions:	
Employer	\$ 3,540
Investment earnings	996
	<hr/>
Total Additions	4,536
 Deductions	
Benefits	2,600
Administrative expenses	158
	<hr/>
Total deductions	2,758
 Net increase	1,778
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	29,825
	<hr/>
End of the year	\$ 31,603
	<hr/> <hr/>

See accompanying notes to financial statements.

Mason Township
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mason Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulates resources for pension benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mason Township
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." The balance due from the Tax Fund to the General Fund represents untransferred tax collections. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$17,156,152. The 2007 tax levy was 0.8583 mills for general operating purposes, raising \$14,624 for general operating purposes.

Inventories and Prepaid items - Inventories are not significant amounts at year end. Inventory is recorded as expenditures when purchased. Payments to vendors reflecting costs applicable to future fiscal years are recorded as prepaid items in both government wide and fund financial statements, if applicable.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township has designated \$82,662 for future use for a Township hall and \$32,998 road improvements.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budget by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. During the year, there were no amendments to the budget.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

Fund and Function		<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund:				
Capital outlay	\$	-	\$ 10,349	\$ 10,349

Mason Township
Notes to Financial Statements
June 30, 2008

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposit and investment policy are in accordance with statutory authority.

At year-end the Township's deposits and investments were reported in the basic financial statements in the following categories:

Government-wide Financial Statement Captions:	Governmental Activities		Fiduciary Funds		Township Total
Cash and cash equivalents	\$ 215,942	\$	1,018	\$	216,960
Investments	-		31,603		31,603
Total	\$ 215,942	\$	32,621	\$	248,563

The Township deposits at June 30, 2008 were:

Deposits (checking, savings and certificates of deposit)	\$ 216,960
Investments	31,603
	\$ 248,563

The only investments are in the Pension Trust Fund. These investments do not allow risk categorization.

Interest rate risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Mason Township
Notes to Financial Statements
June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, there is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial risk. At June 30, 2008, \$15,661 of the Township's bank balances of \$216,991 was exposed to custodial credit risk because it was uninsured.

Note 4 - Receivables

The amount due from other governments at June 30, 2008 represents the amount due from the State of Michigan of \$9,970.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 400	\$ 5,229	\$ -	\$ 5,629
Capital assets being depreciated:				
Infrastructure	66,978	-	-	66,978
Land improvements	2,801	2,495	-	5,296
Buildings	30,640	2,625	-	33,265
Furniture & equipment	28,976	-	-	28,976
Subtotal	<u>129,795</u>	<u>10,349</u>	<u>-</u>	<u>140,144</u>
Accumulated Depreciation				
Infrastructure	6,460	3,349		9,809
Land improvements	716	280	-	996
Buildings	13,593	529	-	14,122
Furniture & equipment	16,800	1,969	-	18,769
Subtotal	<u>37,569</u>	<u>6,127</u>	<u>-</u>	<u>43,696</u>
Net capital assets being depreciated	<u>92,226</u>	<u>4,222</u>	<u>-</u>	<u>96,448</u>
Governmental Activities Total Capital Assets net of Depreciation	<u>\$ 92,226</u>	<u>\$ 4,222</u>	<u>\$ 0</u>	<u>\$ 96,448</u>

Mason Township
Notes to Financial Statements
June 30, 2008

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,117
Public works	3,349
Recreation and culture	661
Total governmental activities	<u>\$ 6,127</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,018	General Fund	\$ -
Fiduciary Fund	-	Fiduciary Fund	1,018
Total	<u>\$ 1,018</u>	Total	<u>\$ 1,018</u>

Note 7 - Risk Management

Mason Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Mason Township has a defined contribution plan for elected officials through John Hancock. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 15% of the employee's gross earnings to the plan.

Mason Township
Notes to Financial Statements
June 30, 2008

Note 8 - Pension Plan (Continued)

During the year, the Township's required and actual contributions amounted to \$3,540, which was 7.5% of its current year covered payroll plus fees. There were no employee voluntary contributions. Covered payroll was \$26,397 total payroll was \$28,722.

Employer	\$	3,540
Administration Fees		158
	\$	<u>3,698</u>

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Note 9 - Joint Area Fire Board

Mason Township appropriates funds for fire protection and provides fire protection services through the Twining-Mason-Turner Fire Department. The Articles of Agreement creating the joint fire board are dated May 21, 2003. The Fire Board is comprised of two members each from Mason Township, Turner Township and the Village of Twining. The joint Fire Board was created to operate a fire department covering the Village of Twining, Mason Township and Turner Township areas. The Township Board approved a ten year extension of the Articles of Agreement on August 7, 2005. Any party may withdraw without liability beyond their annual obligation as provided in the agreement. In the event the fire board should be terminated at the end of the contract, the fire trucks shall be returned to the Village of Twining.

The following financial information for the year ended March 31, 2008, was obtained from the Twining-Mason-Turner Fire Department

Total Assets	\$	22,370	<u>Local contributions:</u>		
Total Liabilities		-	Turner Township	\$	17,500
Total Equity		22,370	Mason Township		<u>17,500</u>
Total Revenue		39,536	Total	\$	<u>35,000</u>
Total Expenditures		38,343			
Increase in Fund		1,193			
Balance					

A copy of financial statements may be obtained from a Mason Township board member.

Note 10 - Designated Fund Balance

The Township Board has designated a portion of the fund balance as follows:

Township Hall	\$	82,662
Roads		32,998
Total	\$	<u>115,660</u>

Required Supplemental Information

Mason Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Amended		
Fund Balance - Beginning of year	\$ 191,889	\$ 191,889	\$ 197,584	\$ 5,695
Resources (Inflows)				
Taxes and fees	24,000	24,000	23,610	(390)
State revenues	63,000	63,000	68,078	5,078
Charges for services	1,500	1,500	-	(1,500)
Interest and rentals	5,500	5,500	5,990	490
Other	2,700	2,700	13,411	10,711
Amounts available for appropriation	<u>288,589</u>	<u>288,589</u>	<u>308,673</u>	<u>20,084</u>
Charges to Appropriations (Outflows)				
General government	65,600	65,600	61,558	4,042
Public safety	17,500	17,500	17,500	-
Public works	30,000	30,000	4,111	25,889
Recreation and culture	500	500	125	375
Capital outlay	-	-	10,349	(10,349)
Total charges to appropriations	<u>113,600</u>	<u>113,600</u>	<u>93,643</u>	<u>19,957</u>
Fund Balance - end of year	<u>\$ 174,989</u>	<u>\$ 174,989</u>	<u>\$ 215,030</u>	<u>\$ 40,041</u>



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

November 30, 2008

Township Board
Mason Township
Arenac County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Mason Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Lack of adequate controls to produce full-disclosure GAAP basis financial statements.

Requirement: All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements

in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition: The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
Rose City, Michigan